

**CITY OF PEOSTA  
PEOSTA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2008**

**CITY OF PEOSTA  
PEOSTA, IOWA**

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**CITY OF PEOSTA  
PEOSTA, IOWA**

**OFFICIALS**

Name	Title	Term Expires
<hr/>		
(Before January 2008)		
Jim Weydert	Mayor	January 2010
Tom Ingles	Council Member	January 2008
Dennis McDonald	Council Member	January 2008
Dick Avenarius	Council Member	January 2010
Ray Stephan	Council Member	January 2010
Brian Recker	Council Member	January 2010
Karen Snyder	City Clerk/Treasurer	Indefinite
William Maiers	City Attorney	Indefinite
(After January 2008)		
Jim Weydert	Mayor	January 2010
Dick Avenarius	Council Member	January 2010
Ray Stephan	Council Member	January 2010
Brian Recker	Council Member	January 2010
Larry Mescher	Council Member	January 2012
Dennis McDonald	Council Member	January 2012
Karen Snyder	City Clerk/Treasurer	Indefinite
William Maiers	City Attorney	Indefinite

# **O'CONNOR, BROOKS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA  
W.H. LEGLAR, CPA  
S.J. DOMEYER, CPA  
M.A. KUEPERS, CPA  
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P.C. MCCARTHY, CPA  
E.A. SCHILLING, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Peosta, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Peosta's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the proceeding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Peosta as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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As described in Note 9, during the year ended June 30, 2008, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Management's Discussion and Analysis (pages 4-12) and budgetary comparison information (pages 26-28) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Peosta's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
April 28, 2009

**CITY OF PEOSTA  
PEOSTA, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Peosta provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2008 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental and business type activities decreased 27.6%, or approximately \$1,087,000, from fiscal 2007 to fiscal 2008. The City received general obligation bond proceeds in the amount of \$2,105,000 for street improvements in 2007. In 2008 general obligation bond proceeds in the amount of \$825,000 was received for utility infrastructure projects. Property tax increased approximately \$39,500 and tax increment financing increased \$58,900 from fiscal 2007 to fiscal 2008.
- Disbursements of the City's governmental and business type activities decreased 37.5%, or approximately \$1,949,000, in fiscal 2008 from fiscal 2007. In 2007, \$2,105,000 of short-term debt for the Street Projects rolled into a new G.O. Bond. In 2008, disbursements relating to Public Safety increased approximately \$33,000 for the purchase of a new police vehicle and related equipment. Public Works increased approximately \$64,000 mostly due to snow removal and equipment purchases. Culture and Recreation disbursements increased approximately \$50,000 for bar expenditures related to the banquet room of the Peosta Community Centre, increased costs of utilities, and fitness equipment purchases.
- The City's total cash basis net assets decreased 26.2%, or approximately \$391,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$323,000 and the assets of the business type activities decreased approximately \$68,000.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, solid waste system, and sanitary sewer system. These activities are financed primarily by user charges.

## *Fund Financial Statements*

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the solid waste, water and sewer funds.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.



**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

For the year ended June 30, 2008, the City's changes in cash basis net assets of governmental activities are as follows:

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 459,005	\$ 380,446
Operating grants and contributions	102,562	75,171
Capital grants and contributions	21,157	18,107
General receipts:		
Property tax	631,778	592,324
Tax increment financing	248,707	189,852
Other city tax	114,781	102,511
Unrestricted interest on investments	21,788	60,290
Other general receipts	17,239	11,190
Sale of capital assets	11,410	---
Bond proceeds	24,174	2,105,000
Total receipts	\$ 1,652,601	\$ 3,534,891
Disbursements:		
Public safety	\$ 162,579	\$ 129,848
Public works	136,504	72,885
Health and social services	300	250
Culture and recreation	504,852	455,225
Community and economic development	182,414	142,289
General government	65,047	43,754
Debt service	304,445	2,708,720
Capital projects	619,786	1,299,267
Total disbursements	\$ 1,975,927	\$ 4,852,238
Decrease in cash basis net assets before transfers	\$ (323,326)	\$ (1,317,347)
Transfers, net	\$ ---	\$ (107,274)
Decrease in cash basis net assets	\$ (323,326)	\$ (1,424,621)
Cash basis net assets beginning of year	724,167	2,148,788
Cash basis net assets end of year	\$ 400,841	\$ 724,167

Receipts of the City's governmental activities decreased 53.2% or approximately \$1,900,000 from fiscal 2007 to fiscal 2008. The City received bond proceeds in the amount of \$2,105,000 for street projects in fiscal 2007. Property tax and tax increment financing increased approximately \$39,500 and \$58,900, respectively because property valuations increased approximately \$7,780,000.

Disbursements of the City's governmental activities decreased 59.3%, or approximately \$2,900,000 from fiscal 2007 to fiscal 2008. In 2007, \$2,105,000 of short-term debt for the Street Projects was rolled into a new G.O. Bond. Public safety increased approximately \$33,000 for the purchase of a new police vehicle and related equipment. Public Works increased approximately \$64,000 mostly due to snow removal and equipment purchases. Culture and Recreation disbursements increased approximately \$50,000 for bar expenditures related to the banquet room of the Peosta Community Centre, increased cost of utilities, and fitness equipment purchases. General Government increased approximately \$21,000 due to the addition of a deputy clerk and increased legal expenditures. Capital Projects disbursements decreased approximately \$679,000 from 2007 to 2008. This was mainly due to the completion of the Burds Road Reconstruction Project, the Peosta Community Parkway Street Construction Project, and the Peosta Sports Complex Project in fiscal 2007 while only the Peosta Street Reconstruction Project was completed in fiscal 2008.

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Changes in Cash Basis Net Assets of Business Type Activities

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	Year Ended June 30,	
	2008	2007
Receipts:		
Program Receipts:		
Charges for services:		
Sewer utility	\$ 156,348	\$ 155,219
Solid waste	29,442	27,370
Water	152,072	156,500
General Receipts:		
Miscellaneous	39,396	38,765
Unrestricted interest on investments	27,619	32,745
Bond proceeds	800,826	---
Total receipts	\$ 1,205,703	\$ 410,599
Disbursements:		
Sewer	\$ 811,479	\$ 182,726
Garbage	34,082	29,496
Water	428,081	133,966
Total disbursements	\$ 1,273,642	\$ 346,188
Increase (decrease) in cash balance net assets before transfers	\$ (67,939)	\$ 64,411
Transfers, net	---	107,274
Increase (decrease) in cash basis net assets	\$ (67,939)	\$ 171,685
Cash basis net assets beginning of year	771,400	599,715
Cash basis net assets end of year	\$ 703,461	\$ 771,400

Program receipts of the City's business-type activities remained steady from fiscal 2007 to fiscal 2008. Bond proceeds increased \$800,826 for the completion of water and sewer projects.

Disbursements for business-type activities increased approximately \$927,000. This was mainly due to the wastewater lagoon improvements, East Peosta Industrial Park water and sewer extensions and looping projects that were completed in fiscal 2008.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As of June 30, 2008 the City had cash balances on hand of \$400,841 in governmental fund types and \$703,461 in business-type funds. The governmental fund type decreased \$323,326 and business fund types decreased \$67,939 during fiscal year 2008. The following is the major reason for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$240,278 from the prior year to \$332,173. Funds are being set aside for future capital improvements and maintenance items for the Peosta Community Centre.

The Special Revenue, Tax Increment Financing (TIF) Fund cash balance increased \$110 from fiscal 2007 to fiscal 2008 and had an ending cash balance of \$13,036.

The Capital Projects Fund cash balance decreased \$588,505 to a cash balance of \$0. The decrease was due to disbursements in fiscal 2008 related to the completion of the Peosta Street Reconstruction Project.

The Debt Service Fund cash balance increased \$1,898 from fiscal 2007 to fiscal 2008 and has an ending cash balance of \$7,440.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased \$23,250 from fiscal 2007 to fiscal 2008. Funds are being set aside for future capital improvements.

The Sewer Fund cash balance decreased \$89,564 from fiscal 2007 to fiscal 2008. The decrease was mainly due to disbursements related to the Wastewater Lagoon Odor Control Project.

## **BUDGETARY HIGHLIGHTS**

The City Council approved two budget amendments during the year. The first amendment approved on October 23, 2007, increased budgeted revenues for a Community Development Block Grant (CDBG) for business expansion, non-anticipated Peosta Community Centre revenues, and new G.O. Debt proceeds for the wastewater lagoon project. Budgeted expenditures increased for railroad crossing maintenance, new equipment purchases, CDBG expenditures, interest payments for new G.O. Debt, higher than expected bids on the wastewater lagoon aeration project, and disbursements related to the Peosta Street Reconstruction Project.

The second budget amendment approved on May 13, 2008 decreased budgeted revenues to eliminate the Community Development Block Grant for business expansion. The grant should not have been budgeted since the state is using the PIAP program, which does not flow through the City's budget. Total budgeted expenditures decreased mainly due to the elimination of the CDBG expenditures from the budget. However, additional expenditures were budgeted for snow plowing, salt and additional transfer agent fees and legal expenditures for the new G.O. Bond.

## **DEBT ADMINISTRATION**

At June 30, 2008, the City had \$2,815,000 in general obligation bonds and notes outstanding, compared to \$2,180,000 last year, as shown below.

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Outstanding Debt

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	Year Ended June 30,	
	2008	2007
General Obligation Debt:		
1999 lagoon expansion	\$ 80,000	\$ 160,000
2006 street construction	1,910,000	2,020,000
2007 WWL aeration/looping/east industrial park	825,000	---
	-----	-----
Total General Obligation Debt	\$ 2,815,000	\$ 2,180,000
	=====	=====

Debt increased as a result of issuing general obligation bonds for the lagoon aeration project, extension of water and sewer mains to East Peosta Industrial Park and water main looping projects.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's \$2,815,000 in G.O. debt and \$237,000 in TIF payments to be paid to developers in fiscal 2009 are included in this calculation. As of June 30, 2008, the City was at 57.2% of its obligation debt limit of \$5,336,988.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Peosta's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy and rising fuel prices. The City has experienced steady residential, industrial and commercial growth for a steady increase in taxable valuation. The City continues to use a portion of revenue from the general fund to subsidize the Community Centre and Road Use Tax Funds.

For the year ending 2009, the City will be replacing the main lift station and running a 10" force main from the lift station to the lagoons to allow for future growth and expansion of the sewer system. This project is estimated to cost approximately \$590,000 of which \$500,000 will be financed with G.O. Bonds, the balance will be paid out of sewer reserves. The City also plans to purchase a building to house the public works department in fiscal 2009, this will be paid for with Local Option Sales Tax Revenue, as well as reserves from the water and sewer funds. A part-time public works employee will also be hired in fiscal 2009. The tax levy rates per \$1000 of taxable valuation for fiscal 2009 are provided below:

General Levy	\$6.25001
Debt Service Levy	\$2.14944
	-----
Total	\$8.39945
	=====

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The City's financial statements are designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Karen Snyder, City Clerk, 7896 Burds Road, Peosta, IA 52068 or telephone 563-556-8755.

**BASIC  
FINANCIAL  
STATEMENTS**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental Activities:							
Public safety	\$ 162,579	\$ 30,771	\$ 423	\$ ---	\$ (131,385)	\$ ---	\$ (131,385)
Public works	136,504	---	90,128	---	(46,376)	---	(46,376)
Health and social services	300	---	---	---	(300)	---	(300)
Culture and recreation	504,852	423,822	8,366	21,157	(51,507)	---	(51,507)
Community and economic development	182,414	---	---	---	(182,414)	---	(182,414)
General government	65,047	4,412	3,645	---	(56,990)	---	(56,990)
Debt service	304,445	---	---	---	(304,445)	---	(304,445)
Capital projects	619,786	---	---	---	(619,786)	---	(619,786)
Total Governmental Activities	\$ 1,975,927	\$ 459,005	\$ 102,562	\$ 21,157	\$ (1,393,203)	\$ ---	\$ (1,393,203)
Business Type Activities:							
Water	\$ 428,081	\$ 152,072	\$ ---	\$ ---	\$ ---	\$ (276,009)	\$ (276,009)
Sewer	811,479	156,348	---	---	---	(655,131)	(655,131)
Garbage	34,082	29,442	---	---	---	(4,640)	(4,640)
Total Business Type Activities	\$ 1,273,642	\$ 337,862	\$ ---	\$ ---	\$ ---	\$ (935,780)	\$ (935,780)
Total	\$ 3,249,569	\$ 796,867	\$ 102,562	\$ 21,157	\$ (1,393,203)	\$ (935,780)	\$ (2,328,983)

The accompanying notes are an integral part of these financial statements.



**EXHIBIT "A" (CONTINUED)**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities
	-----	-----	-----	-----	-----	-----
<b>General Receipts:</b>						
Property tax levied for:						
General purposes					\$ 440,391	\$ 440,391
Tax increment financing					248,707	248,707
Debt service					191,387	191,387
Local option sales tax					114,781	114,781
Unrestricted interest on investments						
Bond proceeds					21,788	27,619
Miscellaneous					24,174	800,826
Sale of capital assets					17,239	39,396
					11,410	11,410
<b>Total General Receipts</b>					<u>\$ 1,069,877</u>	<u>\$ 1,937,718</u>
<b>Change in Cash Basis Net Assets</b>					<u>\$ (323,326)</u>	<u>\$ (391,265)</u>
<b>Cash Basis Net Assets - Beginning of Year</b>					<u>724,167</u>	<u>771,400</u>
<b>Cash Basis Net Assets - End of Year</b>					<u>\$ 400,841</u>	<u>\$ 1,104,302</u>
<b>Restricted:</b>						
Streets						
Tax increment financing purposes					\$ 3,451	\$ 3,451
Debt service					13,036	13,036
Local option sales tax purposes					7,440	7,440
Unrestricted					44,741	44,741
					332,173	703,461
<b>Total Cash Basis Net Assets</b>					<u>\$ 400,841</u>	<u>\$ 1,104,302</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue					Other Non-major Governmental Funds	Total
	General	Tax Increment Financing	Capital Projects	Debt Service			
<b>Receipts:</b>							
Property tax	\$ 440,391	\$ ---	\$ ---	\$ 191,387	\$ ---	\$	\$ 631,778
Tax increment financing	---	248,707	---	---	---		248,707
Other city tax	---	---	---	---	114,781		114,781
Licenses and permits	4,412	---	---	---	---		4,412
Use of money and property	7,764	2,582	8,501	2,582	1,559		22,988
Intergovernmental	5,757	---	---	---	90,128		95,885
Charges for services	434,404	---	---	---	---		434,404
Miscellaneous	53,190	---	10,872	---	---		64,062
Total Receipts	\$ 945,918	\$ 251,289	\$ 19,373	\$ 193,969	\$ 206,468	\$	\$ 1,617,017
<b>Disbursements:</b>							
Operating:							
Public safety	\$ 162,579	\$ ---	\$ ---	\$ ---	\$ ---	\$	\$ 162,579
Public works	44,545	---	---	---	91,959		136,504
Health and social services	300	---	---	---	---		300
Culture and recreation	504,852	---	---	---	---		504,852
Community and economic development	19,435	162,979	---	---	---		182,414
General government	65,047	---	---	---	---		65,047
Debt service:							
Principal	---	---	---	190,000	---		190,000
Interest and fiscal charges	---	---	---	114,445	---		114,445
Capital projects	---	---	619,786	---	---		619,786
Total Disbursements	\$ 796,758	\$ 162,979	\$ 619,786	\$ 304,445	\$ 91,959	\$	\$ 1,975,927

The accompanying notes are an integral part of these financial statements.

**EXHIBIT "B" (CONTINUED)**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue	Tax	Capital Projects	Debt Service	Other Non-major Governmental Funds	Total
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 149,160	\$ 88,310	\$ (600,413)	\$ (110,476)	\$ 114,509	\$ (358,910)
<b>Other Financing Sources (Uses):</b>						
Bond proceeds	\$ ---	\$ ---	\$ ---	\$ 24,174	\$ ---	\$ 24,174
Sale of capital assets	11,410	---	---	---	---	11,410
Transfers in	79,708	---	11,908	88,200	---	179,816
Transfers out	---	(88,200)	---	---	(91,616)	(179,816)
Total Other Financing Sources (Uses)	\$ 91,118	\$ (88,200)	\$ 11,908	\$ 112,374	\$ (91,616)	\$ 35,584
Net Change in Cash Balances	\$ 240,278	\$ 110	\$ (588,505)	\$ 1,898	\$ 22,893	\$ (323,326)
Cash Balances Beginning of Year	91,895	12,926	588,505	5,542	25,299	724,167
Cash Balances End of Year	\$ 332,173	\$ 13,036	\$ ---	\$ 7,440	\$ 48,192	\$ 400,841
<b>Cash Basis Fund Balances:</b>						
Reserved for debt service	\$ ---	\$ ---	\$ ---	\$ 7,440	\$ ---	\$ 7,440
Unreserved:						
General fund	332,173	---	---	---	---	332,173
Special revenue funds	---	13,036	---	---	48,192	61,228
Total Cash Basis Fund Balances	\$ 332,173	\$ 13,036	\$ ---	\$ 7,440	\$ 48,192	\$ 400,841

The accompanying notes are an integral part of these financial statements.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Enterprise Funds			
	Water	Sewer	Other Non-major Enterprise Fund Garbage	Total
<b>Operating Receipts:</b>				
Charges for service	\$ 152,072	\$ 156,348	\$ 29,442	\$ 337,862
Miscellaneous	33,475	4,158	1,763	39,396
Total Operating Receipts	\$ 185,547	\$ 160,506	\$ 31,205	\$ 377,258
<b>Operating Disbursements:</b>				
Business type activities	\$ 428,081	\$ 811,479	\$ 34,082	\$ 1,273,642
Deficiency of Operating Receipts Under Operating Disbursements	\$ (242,534)	\$ (650,973)	\$ (2,877)	\$ (896,384)
<b>Non-Operating Receipts:</b>				
Interest on investments	\$ 9,648	\$ 16,719	\$ 1,252	\$ 27,619
General obligation bond proceeds	256,136	544,690	---	800,826
Total non-operating receipts	\$ 265,784	\$ 561,409	\$ 1,252	\$ 828,445
Net Change in Cash Balances	\$ 23,250	\$ (89,564)	\$ (1,625)	\$ (67,939)
Cash Balances Beginning of Year	283,998	450,174	37,228	771,400
Cash Balances End of Year	\$ 307,248	\$ 360,610	\$ 35,603	\$ 703,461
<b>Cash Basis Fund Balances:</b>				
Unreserved	\$ 307,248	\$ 360,610	\$ 35,603	\$ 703,461

The accompanying notes are an integral part of these financial statements.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 1 - Summary of Significant Accounting Policies:**

The City of Peosta is a political subdivision of the State of Iowa located in Dubuque County. It was first incorporated in 1933 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Peosta has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque Metropolitan Area Transportation System (DMATS), East Central Intergovernmental Association, and the Dubuque County Joint E911 Service Board.

**B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The Special Revenue, Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Projects Fund is utilized to account for disbursements relating to major capital projects.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Peosta maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amount budgeted in any function.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 2 - Cash and Pooled Investments:**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**Note 3 - Bonds and Notes Payable:**

Annual debt service requirements to maturity for the general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Debt	
	Principal	Interest
2009	\$ 245,000	\$ 114,223
2010	195,000	104,147
2011	200,000	96,760
2012	210,000	89,085
2013	215,000	80,920
2014-2018	1,220,000	267,535
2019-2021	530,000	45,880
Total	\$ 2,815,000	\$ 798,550

The above general obligation debt will be subject to call on June 1, 2014 or any date thereafter in any order of maturity upon terms of par plus accrued interest.



**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 4 - Pension and Retirement Benefits:**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$14,087, equal to the required contributions for each year.

**Note 5 - 28E Agreements:**

As of June 30, 2008, the City was involved in the following 28E agreements:

On November 8, 2000, the City entered into a 28E agreement with the Centralia/Peosta Community Fire Department for the purpose of providing the City of Peosta with fire protection, emergency medical and emergency response services.

On December 9, 2003, the City entered into a 28E agreement with the Centralia/Peosta Community Fire Department for the purpose of providing the City of Peosta with emergency medical ambulance services.

On September 15, 2004, the City entered into a 28E agreement with the Thunder Ridge Estates Homeowners Association, Inc. to provide wastewater and treatment services to the Thunder Ridge Estates Homeowners Association, Inc.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 6 - Compensated Absences:**

City employees accumulate sick leave for subsequent use. These accumulations are not recognized as expenditures by the City until used. The City policy prohibits payoff of accumulated benefits at termination of employment if accumulated sick leave for an employee is 480 hours or less. If accumulated sick leave for an employee is over 480 hours, the employee will be paid 50% of all accumulated hours over 480 hours upon termination. As of June 30, 2008, no employees had accumulated over 480 hours of sick leave. The City's contingent liability for accumulated sick leave as June 30, 2008 was \$17,962.

There is no liability for accrued vacation since City employees are not allowed to carry unused vacation days to the next year and no pay can be collected for unused days at year-end.

City employees receive 1.5 hours of compensatory time off work with pay for each hour of overtime worked during the year. Any accumulated compensatory time is payable upon termination. As of June 30, 2008, the City's accrued liability for compensatory time is \$9,331.

The liabilities were computed based on rates of pay as of June 30, 2008.

**Note 7 - Risk Management:**

The City of Peosta is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

**Note 8 - Construction in Progress:**

The City entered into construction and engineering contracts for the modification of a waste water treatment facility in the amount of \$542,641. Change orders increased the contracts by \$10,350. At June 30, 2008, \$525,341 of the construction and engineering contracts was completed. The remaining \$27,650 was completed in July, 2008.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 9 - Accounting Changes:**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2008. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**Note 10 - Interfund Transfers:**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to -----	Transfer from -----	Amount -----
General	Special Revenue: Local Option Sales Tax	\$ 79,708
Debt Service	Special Revenue: TIF	88,200
Capital Projects	Special Revenue: Local Option Sales Tax	11,908

Transfers are used to (1) move resources from the fund statute or budget requires to collect them to a fund that statute or budget allows or requires to disburse them, and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

**Note 11 - Development Agreements:**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate the incremental tax paid by the developer in exchange for the construction of buildings, housing, and certain infrastructure by the developers. The obligations under the agreements are subject to annual appropriation by the City Council.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 11 - Development Agreements: (Continued)**

The payments are payable solely from the incremental property tax received by the City which are attributable to the Peosta Urban Renewal Area and are only made to the extent the City Council determines tax increment revenues are currently available. During the year ended June 30, 2008, the City made economic development payments totaling \$161,097.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

**Note 12 - Operating Lease:**

The City has entered into a noncancellable sixty month operating lease for office and computer equipment. The lease calls for monthly payments of \$439 and will expire in July, 2012. Lease payments for the year ended June 30, 2008 were \$4,828.

Future minimum rental payments required under the operating lease are as follows:

Year Ended June 30,	
2009	\$ 5,267
2010	5,267
2011	5,267
2012	5,267
2013	439
	-----
	\$ 21,507
	=====

**Note 13 - Subsequent Events:**

In July, 2008, the City entered into a contract for \$484,676 with Tschiggfrie Excavating Company for the Roadway Lift Station and 10" Force Main Project. The City issued \$500,000 of general obligation bonds on November 1, 2008 to finance these sewer improvements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION  
  
(PART II)**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>Receipts:</b>						
Property tax	\$ 631,778	\$ ---	\$ 631,778	\$ 623,411	\$ 624,406	\$ 7,372
Tax increment financing	248,707	---	248,707	248,707	248,707	---
Other city tax	114,781	---	114,781	108,771	121,143	(6,362)
Licenses and permits	4,412	---	4,412	3,295	3,388	1,024
Use of money and property	22,988	27,619	50,607	22,550	46,666	3,941
Intergovernmental	95,885	---	95,885	86,264	103,729	(7,844)
Charges for services	434,404	337,862	772,266	672,113	824,307	(52,041)
Miscellaneous	64,062	39,396	103,458	2,200	5,068	98,390
Total Receipts	\$ 1,617,017	\$ 404,877	\$ 2,021,894	\$ 1,767,311	\$ 1,977,414	\$ 44,480
<b>Disbursements:</b>						
Public safety	\$ 162,579	\$ ---	\$ 162,579	\$ 166,012	\$ 164,065	\$ 1,486
Public works	136,504	---	136,504	122,298	197,785	61,281
Health and social services	300	---	300	300	300	---
Culture and recreation	504,852	---	504,852	468,395	530,547	25,695
Community and economic development	182,414	---	182,414	247,276	199,128	16,714
General government	65,047	---	65,047	73,304	65,478	431
Debt service	304,445	---	304,445	279,585	304,445	---
Capital projects	619,786	---	619,786	---	619,786	---
Business-type activities	---	1,273,642	1,273,642	624,087	1,313,129	39,487
Total Disbursements	\$ 1,975,927	\$ 1,273,642	\$ 3,249,569	\$ 1,981,257	\$ 3,394,663	\$ 145,094

**CITY OF PEOSTA  
PEOSTA, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Net Variance
				Original	Final	
Excess (deficiency) of receipts over (under) disbursements	\$ (358,910)	\$ (868,765)	\$ (1,227,675)	\$ (213,946)	\$ (1,417,249)	\$ 189,574
Other financing sources (uses), net	35,584	800,826	836,410	195,250	836,410	---
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (323,326)	\$ (67,939)	\$ (391,265)	\$ (18,696)	\$ (580,839)	\$ 189,574
Balances, beginning of year	724,167	771,400	1,495,567	1,495,567	1,495,567	---
Balances, end of year	<u>\$ 400,841</u>	<u>\$ 703,461</u>	<u>\$ 1,104,302</u>	<u>\$ 1,476,871</u>	<u>\$ 914,728</u>	<u>\$ 189,574</u>

See accompanying independent auditor's report.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY REPORTING  
JUNE 30, 2008**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,413,406. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amount budgeted in any function.



**OTHER  
SUPPLEMENTARY  
INFORMATION**

**SCHEDULE "1"**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue		
	Road Use Tax	Local Option Sales Tax	Total
<b>Receipts:</b>			
Other city tax	\$ ---	\$ 114,781	\$ 114,781
Use of money and property	---	1,559	1,559
Intergovernmental	90,128	---	90,128
Total receipts	\$ 90,128	\$ 116,340	\$ 206,468
<b>Disbursements:</b>			
Operating:			
Public works	\$ 91,959	\$ ---	\$ 91,959
Excess (deficiency) of receipts over (under) disbursements	\$ (1,831)	\$ 116,340	\$ 114,509
<b>Other financing sources (uses):</b>			
Transfers out	\$ ---	\$ (91,616)	\$ (91,616)
Net change in cash balances	\$ (1,831)	\$ 24,724	\$ 22,893
Cash balances beginning of year	5,282	20,017	25,299
Cash balances end of year	\$ 3,451	\$ 44,741	\$ 48,192
<b>Cash Basis Fund Balances:</b>			
Unreserved:			
Special Revenue Funds	\$ 3,451	\$ 44,741	\$ 48,192

See accompanying independent auditors report.

**SCHEDULE "2"**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Debt:									
Sewer Improvement Note	July 1, 1999	4.10-4.90%	\$ 670,000	\$ 160,000	\$ ---	\$ 80,000	\$ 80,000	\$ 7,800	\$ ---
Corporate Purpose Bonds - Street, sidewalk, and storm sewer	Dec. 15, 2006	3.70-4.30%	2,105,000	2,020,000	---	110,000	1,910,000	80,985	---
Corporate Purpose Bonds - Looping project, water and sewer	Sep. 15, 2007	3.80-4.25%	825,000	---	825,000	---	825,000	23,742	---
Total				\$ 2,180,000	\$ 825,000	\$ 190,000	\$2,815,000	\$ 112,527	\$ ---

See accompanying independent auditor's report.

**SCHEDULE "3"**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**BOND AND NOTE MATURITIES  
JUNE 30, 2008**

Year Ending June 30,	General Obligation Debt					
	Sewer Improvement Note		Corporate Purpose Bonds- Street, Sidewalk & Storm Sewer		Corporate Purpose Bonds- Looping Project, Water & Sewer	
	Issued July 1, 1999		Issued Dec. 15, 2006		Issued Sep. 15, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	4.90%	\$ 80,000	3.70%	\$ 115,000	3.80%	\$ 50,000
2010	---	---	3.75%	120,000	3.85%	75,000
2011	---	---	3.80%	125,000	3.90%	75,000
2012	---	---	3.85%	130,000	3.95%	80,000
2013	---	---	3.90%	135,000	4.00%	80,000
2014	---	---	3.95%	140,000	4.05%	85,000
2015	---	---	4.00%	145,000	4.10%	90,000
2016	---	---	4.05%	150,000	4.15%	95,000
2017	---	---	4.10%	155,000	4.20%	95,000
2018	---	---	4.15%	165,000	4.25%	100,000
2019	---	---	4.20%	170,000	---	---
2020	---	---	4.25%	175,000	---	---
2021	---	---	4.30%	185,000	---	---
		<u>\$ 80,000</u>		<u>\$ 1,910,000</u>		<u>\$ 825,000</u>

See accompanying independent auditor's report.

# **O'CONNOR, BROOKS & CO., P.C.**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor  
and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Peosta, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated April 28, 2009. Our report expressed a qualified opinion on the financial statements since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. These financial statements were prepared in conformity with an other comprehensive basis of accounting. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included an explanatory paragraph on the implementation of GASB Statements No. 34, 37, 38, and 41 and a disclaimer of opinion on the required supplementary information in Parts I and II.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Peosta's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Peosta's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Peosta's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Peosta's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Peosta's financial statements that is more than inconsequential will not be prevented or detected by the City of Peosta's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Peosta's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described at items I-A-08, I-B-08, and I-C-08 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Peosta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance and other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Peosta's responses to findings identified on our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Peosta and other parties to whom the City of Peosta may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Peosta during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa

April 28, 2009

**CITY OF PEOSTA  
PEOSTA, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**MATERIAL WEAKNESSES:**

I-A-08     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual at the City has custody of receipts and performs all recordkeeping and reconciling functions for the accounts.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances.

Response - We will attempt to segregate duties as much as possible with the existing personnel.

Conclusion - Response accepted.

I-B-08     Bank Reconciliations – The process of reconciling the bank balance to the general ledger balance is not being performed.

Recommendation - A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors. A benefit of a monthly reconciliation is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Response – We will prepare monthly bank reconciliations in the future.

Conclusion - Response accepted.



**CITY OF PEOSTA  
PEOSTA, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Part I: Findings Related to the Financial Statements: (Continued)**

**MATERIAL WEAKNESSES: (CONTINUED)**

I-C-08 Banquet Room Contracts – Banquet room contracts do not specify the total rental and related costs for the events. Since total costs are not identified on the contract, the City does not have an appropriate source document identifying charges to customers.

Recommendation - We recommend the City implement procedures to have customers sign contracts that specify costs for the banquet room. An amended contract should also be signed when its terms need to be changed. The City Clerk should reconcile the charges to the customers on the signed contracts to the amounts recorded in the general ledger on a timely basis.

Response – We will consider this.

Conclusion - Response accepted.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-08 Certified Budget - We noted no disbursements during the year ended June 30, 2008, that exceeded the amount budgeted in any function.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-08 Business Transactions - No business transaction between the City and City officials or employees were noted.

II-E-08 Bond Coverage- Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Part II: Other Findings Related to Statutory Reporting: (Continued)**

II-G-08 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-08 Property Tax Collections - Property tax collections of \$292 were erroneously recorded in the general fund rather than in the debt service fund. This may not be in accordance with Chapter 384.3 of the Code of Iowa which states that taxes received for the purposes of the debt service fund must be deposited as required or authorized by state law.

Recommendation - The City should ensure that all property tax collections are recorded in the proper fund.

Response – We will do this in the future.

Conclusion - Response accepted.

II-I-08 Annual Financial Report - The Annual Financial Report (AFR) was filed by December 1 as required by Chapters 384.22 of the Code of Iowa. However, the AFR does not agree in total to the financial statements due to the Garbage Fund being reported on the AFR under governmental activities instead of proprietary activities.

Recommendation - The City should contact the Auditor of State to determine what corrections are necessary.

Response - We will contact the Auditor of State to determine the necessary corrections.

Conclusion - Response accepted.